

1940

EIGHTY-SEVENTH REPORT

Lehigh Valley Railroad Company

For the Year Ended December 31, 1940



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Board of Directors

RICHARD W. BARRETT	JASPER N. HAINES
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JOHN DUFFY.....	VICE PRESIDENT
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A. F. BAYFIELD.....	COMPTROLLER

EIGHTY-SEVENTH REPORT

Bethlehem, Pa., April 15, 1941.

To the Stockholders of the Lehigh Valley Railroad Company:

The Board of Directors submits herewith its report for the year ended December 31, 1940:

INCOME

Total Operating Revenues.....	\$47,479,836.55
Total Operating Expenses.....	33,223,585.48
Net Operating Revenue.....	<u>\$14,256,251.07</u>
Railway Tax Accruals	\$4,758,170.09
Equipment Rents—Net	2,456,332.13
Joint Facility Rents—Net.....	<u>158,487.84</u>
	\$ 7,372,990.06
Net Railway Operating Income.....	<u>\$ 6,883,261.01</u>
Other Income	780,615.50
Total Income	<u>\$ 7,663,876.51</u>
Deductions from Income.....	<u>7,964,902.80</u>
Net Income—Deficit	\$ 301,026.29

PROFIT AND LOSS

Balance, December 31, 1939.....	\$13,019,027.28
Transferred from Income.....	301,026.29
Tracks and Structures Retired.....	2,068,692.75
Miscellaneous	<u>3,028,773.00</u>
Balance, December 31, 1940.....	\$13,678,081.24

Gross revenues increased 5% and operating expenses increased 1% over 1939, resulting in an operating ratio of 70%—the lowest since the year 1915—compared with 72% in 1939. Compared with 1938, gross revenues increased 15% and operating expenses increased 5.5%. Revenues from transportation of anthracite in 1940 declined 3%, compared with the previous year, but revenues from all other freight increased 9% and were greater than any year since 1930. The European war and the National Defense Plans of the United States Government had their effect upon all lines of traffic—which are expected to increase progressively during 1941. While passenger revenues decreased 7%, travel in coaches increased 7% in number of passengers over the preceding year. This loss of revenue followed a reduction in coach fare, from 2½c to 2c per mile, under Inter-

LEHIGH VALLEY RAILROAD COMPANY

state Commerce Commission orders which became effective March 25, 1940.

The Net Income deficit of \$301,026.29 is after deduction of full interest on General Consolidated Mortgage Bonds. Under the terms of the Company's Plan and Agreement, 25% of such interest was paid.

The industrial territory served by Lehigh Valley Railroad continues to develop. Bethlehem Steel Company erected a substantial addition to its merchant bar mill at Bethlehem, on property acquired from the railroad. As a result of the sale of this property, it was necessary to construct a new freight house and yard facilities at Bethlehem. At the close of the year the Curtiss-Wright Corporation had under construction an \$18,000,000 plant for the building of airplanes at Williamsville, adjacent to Buffalo, and served by a sidetrack of the railroad. In all, a total of forty-seven industries served by sidings were located along the railroad during the year. In addition, a number of others enlarged their plants or made plans to do so. Fourteen new tenants acquired space in Starrett-Lehigh Building in New York City and fifteen of the tenants increased their leaseholds. In the Bronx-Lehigh Building in New York City, four new tenants were added and five others increased their space. At the close of the year, the leased space in both buildings had been substantially increased.

During the year the Company placed in service the following equipment:

Four Diesel-electric switching locomotives, making a total of twenty-eight of these locomotives in switching service.

Three parlor cars, purchased from the Pullman Company.

One all-steel snow plow.

To meet demands due to National defense and increased business, the Company placed orders for 250 gondola cars and 500 box cars, at a total estimated cost of \$2,287,363, to be financed by a down payment of 10%, the balance to be amortized by monthly payments, with interest at 2½% per annum on the unpaid balance.

The physical property of the Company was well-maintained throughout the year. Improvements were made to locomotives and cars; air-conditioning apparatus was applied to two dining cars; additional coal and ash handling facilities were installed at six points; extensions and improvements were made at piers and freight stations and engine terminals; modern machines were purchased for use in maintaining roadbed, as well as for use in maintenance and repair of equipment at shops; 1,930 tons of

LEHIGH VALLEY RAILROAD COMPANY

new rail and 157,584 new creosoted ties were installed and track conditions were also improved by additional drainage ditches and widening cuts and embankments; three bridges were strengthened to permit the use of heavier locomotives and extensive repairs were made to seven additional bridges, while four highway grade crossings were eliminated.

The Company's Plan and Agreement of August 25, 1938, the general provisions of which were set forth in the annual report for 1939, was approved and confirmed by the Special United States District Court by a Final Decree dated August 7, 1940. Thereby the maturity dates of \$3,500,000 Pennsylvania and New York Canal and Railroad Company Bonds, due April 1, 1939; \$15,000,000 The Lehigh Valley Rail Way Company Bonds, due July 1, 1940, and \$10,000,000 Lehigh Valley Terminal Railway Company Bonds, which would have matured on October 1, 1941, all of which Bonds were guaranteed by the Company, were each extended for ten years. Bank loans were also extended to November 1, 1943, subject to the annual payments required by the Plan. These loans were reduced during the year by \$556,766 to \$6,924,900. The Plan provided for a five-year moratorium in respect of the payment of 75% of the interest which became due from November 1, 1938 to November 1, 1940, inclusive, on \$72,336,000 Lehigh Valley Railroad Company General Consolidated Mortgage Bonds and requires the Company to resume payment of full interest on these Bonds on May 1, 1941, and to begin payment of the deferred interest on November 1, 1943. Bonds issued under the afore-said Mortgages are now being presented, as required by the Final Decree, for stamping and the attachment of extension agreements and extra coupons to conform to the Plan and Agreement.

Equipment Trust Certificates 4% Series "V" 1934, in the principal amount of \$3,020,000, were outstanding in the hands of the public as of December 31, 1940, having been reduced from the original amount of \$5,100,000.

Since the close of the year, the balance of the Public Works Administration Equipment Repair Notes and Reconstruction Finance Corporation loan, amounting to a total of \$1,567,949, was paid out of funds received on account of the Black Tom Explosion Award.

Payments into the Sinking Fund of the Class A 6% Notes were begun on December 1 under the Financial Adjustment Plan of The Lehigh Valley Coal Company, which was declared effective as of April 27, 1939. At the close of 1940 there were \$1,801,000 of these Notes, guaranteed by the Railroad Company, outstanding in the hands of the public. Under the

LEHIGH VALLEY RAILROAD COMPANY

Sinking Fund provisions of the Plan, these Notes should be retired by January 1, 1943. When this is done, the Railroad Company's holdings of \$2,164,500, par value, of the Class B Notes, amounting with interest on February 1, 1943, to \$2,660,500, will be exchanged on that date for that amount of Coal Company's First and Refunding Mortgage Sinking Fund 5% Bonds, maturing February 1, 1954.

A bond issue of \$1,000,000 of The Buffalo Creek Railroad Company, jointly owned and operated by the Lehigh Valley Railroad and the Erie Railroad, matured January 1, 1941. These were 5% First Mortgage Bonds. In addition, there were outstanding \$2,000,000 The Buffalo Creek Railroad Company First Refunding Mortgage 5% Bonds, maturing January 1, 1961. It was deemed advisable to refinance the entire \$3,000,000, which constituted the total bonded indebtedness of the Buffalo Creek, at a lower rate of interest. The First Refunding Mortgage Bonds were called for redemption January 1, 1941. The Buffalo Creek Railroad Company created a new First Mortgage and issued thereunder and sold at par \$3,000,000 principal amount of Bonds, bearing interest at $3\frac{3}{4}\%$ per annum, maturing November 1, 1965. The Lehigh Valley and the Trustees of the Erie guarantee payment of the principal, interest and sinking fund, as provided under the terms of the new Mortgage.

As reported in the annual report for 1939, the Black Tom Explosion Case was brought to a successful conclusion on October 30, 1939, by the entry on that day of an award by the Mixed Claims Commission—United States and Germany—in favor of the Company for \$9,900,322, with interest for various periods. At the time of the 1939 report and as mentioned therein, the actual payment to the Company of the award moneys was being held up by suits brought by private interests to restrain the Secretary of the Treasury from issuing checks in payment. A motion for summary judgment dismissing these suits granted by the United States District Court on January 6, 1940, was successively sustained by unanimous opinions of the Court of Appeals and the Supreme Court of the United States, and on January 10, 1941, the United States Treasury Department delivered to the Company a check for \$8,230,314.77 and one for \$1,588,281.02 to Reconstruction Finance Corporation, assignee of the Company, making a total payment of \$9,818,595.79.

The Government deducted $\frac{1}{2}$ of 1%, or \$49,339.66, for Government expense, as provided by the statute. The funds available in the Treasury for payment were not sufficient to pay the full amount of the award.

LEHIGH VALLEY RAILROAD COMPANY

The Company has requested the American Commissioner of the Mixed Claims Commission, pursuant to the statute authorizing such proceedings, to fix reasonable fees for the services of counsel rendered over a period of more than sixteen years in connection with the prosecution of the Black Tom litigation. The matter of fees is now actively before the American Commissioner for hearing and decision. One-half of the amount collected (less \$108,621.08 representing amounts paid by the Company towards disbursements) has been deposited in banks for disbursement in accordance with the Commissioner's decision.

Tax litigation in New Jersey involving the Company continues. The State levied taxes against the Company for the years 1932-1940, inclusive, in the total sum of \$16,434,764.41. Of this amount the Company has paid \$11,884,870.38, leaving a balance demanded by the State of \$4,549,894.03, exclusive of interest and penalties. During the year the Company completed the payment of the principal amount of the taxes (\$1,746,402) withheld by it for 1932 and 1933, in accordance with Court decisions against all the railroads involved. Taxes charged against 1940 earnings, therefore, included \$1,345,094, being 75% of the net amount assessed for that year, and \$1,236,151, being the amount necessary to bring prior years' accruals from 60% to 75% of the amounts assessed.

Litigation for the years 1934 to 1936, inclusive, which had been decided against the State by the United States District Court, was appealed to the Court of Appeals, and that Court, on November 27, 1940, rendered a decision against the railroads. A petition to the Supreme Court of the United States for a writ of certiorari has been filed.

Effort is now being made to settle the entire outstanding tax litigation with the State. The Governor has appointed a Committee which has made a report to him proposing a plan of settlement. This report has been forwarded to the Legislature and a joint Legislative Committee has been appointed. Conferences with the Governor's Committee have been held and the joint Legislative Committee will hold public hearings at an early date. We believe that real progress has been made toward bringing about a settlement which will be acceptable to this Company.

A Group Insurance Plan was entered into with the Metropolitan Life Insurance Company, which provides for \$500 life and \$500 accidental death; premiums being apportioned between the employees and the Company. This plan is available to all employees and at the close of the year 1940 had taken advantage of it.

Under the provisions of the Railroad Retirement Act, the Company

LEHIGH VALLEY RAILROAD COMPANY

paid to the Internal Revenue Department 3% of salary and wage payments up to \$300 per month per employee. This amounted to \$616,142.53. An equal payment was made also into the fund by all officers and employees of the Company. In addition, the Company paid during the year to retired officers and employees \$20,810.04 in excess of the annuities granted by the Railroad Retirement Board. Under the provisions of the Railroad Unemployment Insurance Act, the Company also paid 3% of payrolls, or \$616,266.37 to the Railroad Retirement Board.

While the Company had a decrease of 3% in anthracite revenues compared with the preceding year, the anthracite industry is in definitely better position as the result of an emergency program established by the operators. The total anthracite produced in 1940 was 46,952,936 net tons, a decrease of 1%. The tonnage shipped by all railroads was 43,023,748 net tons, a reduction of 1.8%. Tonnage shipped from mines served by the Company was 8,049,384 net tons. Mining of stolen anthracite continues a serious problem. It is estimated that this amounted in 1940 to between three and four million tons. Stolen coal moves by truck as does a growing tonnage of legitimately mined coal. Railroads have sought to meet this by reducing rates where justified but problems of enforcement of Federal and State truck regulations and the flexibility of truck operations have served to complicate the situation.

Under the terms of the Bituminous Coal Act of 1937, minimum prices were established, effective October 1, 1940, which will increase locomotive fuel costs to this Company approximately \$260,000 per annum. To meet this situation, the Company has made material progress in the efficient use of its coal. The consumption in freight service per 1000 gross ton miles in 1940 was 109 pounds, the lowest in the history of the Company. This is a reduction of 30 pounds per 1000 gross ton miles in the last ten years.

The Transportation Act of 1940 became law on September 18, 1940. It sets up a definite national policy for the "fair and impartial regulation of all modes of transportation" to be administered so as "to recognize and preserve the inherent advantages of each." The Interstate Commerce Commission is given regulatory powers over some forms of water carriers and over voluntary unification of carriers on land or water. The Act fixes the status of employees as a result of consolidations and provides for a Board, which has been appointed by the President of the United States, to study transportation problems and make recommendations for further legislation.

LEHIGH VALLEY RAILROAD COMPANY

Mr. Alan C. Dodson resigned as a Director and at the annual meeting of the stockholders of the Company, January 21, 1941, Mr. Edwin H. Burgess was elected a Director.

The loyal and efficient service rendered by officers and employes is appreciated and acknowledged with the thanks of the management.

For the Board of Directors,

A. N. WILLIAMS,

President.

LEHIGH VALLEY RAILROAD COMPANY

GENERAL BALANCE SHEET

ASSETS		
INVESTMENTS:		
In road..... (See note below)	\$39,141,540.60	
In equipment	53,839,260.79	
Improvements on leased railway property		\$92,980,801.39
Deposits in lieu of mtgd. property sold.....		2,324,094.00
Miscellaneous physical property.....		235,087.19
Investments in affiliated companies:		134,522.82
Stocks	\$73,846,713.51	
Bonds	20,092,001.00	
Notes	75,000.00	
Advances	9,632,855.12	
Other investments:		103,646,569.63
Stocks	\$543,489.12	
Bonds	2,225,715.75	
Miscellaneous	477,297.45	
Total investments		3,246,502.32
		\$202,567,577.35
CURRENT ASSETS:		
Cash	\$4,685,559.26	
Special deposits	418,160.81	
Loans and bills receivable.....	2,102.17	
Traffic and car-service balances receivable	1,254,095.68	
Net balance receivable from agents and conductors	1,035,676.42	
Miscellaneous accounts receivable.....	6,373,593.64	
Material and supplies.....	2,281,791.50	
Interest and dividends receivable.....	14,506.30	
Rents receivable	41,726.05	
Other current assets.....	17,029.28	
Total current assets.....		16,124,241.12
DEFERRED ASSETS:		
Working fund advances.....	\$106,090.41	
Insurance and other funds.....	185,911.06	
Other deferred assets.....	649,437.46	
Total deferred assets.....		941,438.93
UNADJUSTED DEBITS:		
Rents and insurance premiums paid in advance	\$37,943.47	
Other unadjusted debits.....	420,283.79	
Total unadjusted debits.....		458,227.26
TOTAL ASSETS		\$220,091,484.66

NOTE:—The item Investment in Road represents only road property of Lehigh Valley Railroad Company proper (Phillipsburg, N. J., to Wilkes-Barre, Pa.). The total road and equipment investment of the system, including transportation subsidiaries owned by the Company, is \$243,278,667.46.

LEHIGH VALLEY RAILROAD COMPANY

DECEMBER 31, 1940

LIABILITIES

STOCK:		
Common stock	\$60,501,700.00	
Preferred stock	24,700.00	
Total stock outstanding		\$60,526,400.00
Grants in aid of construction		7,540.35
LONG-TERM DEBT:		
Funded debt	\$117,936,000.00	
Less—Funded debt held in treasury or pledged	28,000,000.00	
	89,936,000.00	
Equipment Trust Certificates Series V.....	3,020,000.00	
Public Works Administration Loan (R. F. C.)	807,449.53	
Reconstruction Finance Corp. Loan.....	760,500.00	
Bank Loans	6,924,900.00	
Non-negotiable Debt to Affiliated Companies	1,295,348.41	
Total long-term debt outstanding		\$102,744,197.94
CURRENT LIABILITIES:		
Traffic and car-service balances payable	\$645,447.28	
Audited accounts and wages payable	2,275,505.44	
Miscellaneous accounts payable	617,108.57	
Interest matured unpaid	419,466.20	
Unmatured interest accrued	664,943.35	
Unmatured rents accrued	503,349.99	
Other current liabilities	185,793.94	
Total current liabilities		5,311,614.77
DEFERRED LIABILITIES:		
Equipment purchased on installments	\$2,388,148.47	
Deferred interest, General Consolidated Mortgage Bonds	5,843,716.95	
State of New York, grade crossing eliminations	1,031,762.81	
Other deferred liabilities	60,187.65	
Total deferred liabilities		9,323,815.88
UNADJUSTED CREDITS:		
Tax liability	\$2,600,023.68	
Insurance and casualty reserve	75,000.00	
Accrued depreciation—Equipment	23,422,770.10	
Accrued depreciation—Miscellaneous physical property	52,743.02	
Other unadjusted credits	2,164,289.21	
Total unadjusted credits		28,314,826.01
CORPORATE SURPLUS:		
Additions to property through income and surplus	\$185,008.47	
Profit	13,678,081.24	
Total corporate surplus		13,863,089.71
TOTAL LIABILITIES:		\$220,091,484.66
CONTINGENT LIABILITIES:		
Lehigh Valley Coal Co. 6% Notes due 1-1-43		\$1,801,000.
New Jersey taxes—not accrued		\$4,952,593.

LEHIGH VALLEY RAILROAD COMPANY

INCOME STATEMENT

For the Years Ended December 31, 1940 and 1939

	1940	1939	INCREASE OR DECREASE
AVERAGE MILES OF ROAD OPERATED.....	1,274.88	1,282.69	7.81
OPERATING REVENUES:			
Anthracite coal freight revenue.....	\$13,282,788.96	\$13,687,146.37	\$404,357.41
Bituminous coal freight revenue.....	1,300,024.13	1,042,371.29	257,652.84
Merchandise freight revenue.....	28,061,712.48	25,698,539.75	2,363,172.73
Passenger revenue	2,054,090.19	2,216,171.15	162,080.96
Mail revenue	299,201.43	291,970.85	7,230.58
Express revenue	329,984.37	329,405.06	579.31
All other revenues.....	2,152,034.99	2,093,382.34	58,652.65
Total Operating Revenues.....	\$47,479,836.55	\$45,358,986.81	\$2,120,849.74
OPERATING EXPENSES:			
Maintenance of way and structures.....	\$3,165,959.32	\$3,031,897.36	\$134,061.96
Maintenance of equipment.....	7,769,753.79	7,924,052.64	154,298.85
Traffic expenses	1,281,434.77	1,313,055.59	31,620.82
Transportation expenses	19,520,584.98	19,058,643.07	461,941.91
Miscellaneous operations	243,257.07	230,278.49	12,978.58
General expenses	1,244,626.33	1,235,923.11	8,703.22
Transportation for investment—Cr.....	2,030.78	1,604.37	426.41
Total Operating Expenses.....	\$33,223,585.48	\$32,792,245.89	\$431,339.59
NET OPERATING REVENUE.....	\$14,256,251.07	\$12,566,740.92	\$1,689,510.15
DEDUCTIONS FROM REVENUE:.....			
Railway tax accruals.....	\$4,758,170.09	\$3,015,183.99	\$1,742,986.10
Equipment rents—net	2,456,332.13	2,292,805.87	163,526.26
Joint facility rents—net.....	158,487.84	109,425.32	49,062.52
NET RAILWAY OPERATING INCOME	\$6,883,261.01	\$7,149,325.74	\$266,064.73
OTHER INCOME:			
Misc. non-operating physical prop- erty	\$15,555.76	\$28,267.24	\$12,711.48
Separately operated properties-profit	94,850.02	102,987.82	8,137.80
Dividend income	28,747.09	28,728.04	19.05
Income from funded securities.....	460,343.18	444,849.87	15,493.31
Income from unfunded securities and accounts	6,962.21	11,998.97	5,036.76
Miscellaneous income	174,157.24	179,655.99	5,498.75
Total Other Income	\$780,615.50	\$796,487.93	\$15,872.43
Total Income	\$7,663,876.51	\$7,945,813.67	\$281,937.16
DEDUCTIONS FROM INCOME:			
Rent for leased roads.....	\$2,536,811.46	\$2,644,463.48	\$107,652.02
Miscellaneous rents	297,334.80	295,660.38	1,674.42
Miscellaneous tax accruals	232,005.99	236,788.92	4,782.93
Separately operated properties-loss.....	2,816.50	1,712.03	1,104.47
Interest on funded debt.....	4,261,958.10	4,252,673.34	9,284.76
Interest on unfunded debt	286,515.74	356,083.25	69,567.51
Miscellaneous income charges.....	347,460.21	216,988.00	130,472.21
Total Deductions from Income.....	\$7,964,902.80	\$8,004,369.40	\$39,466.60
Net Income	\$301,026.29	\$58,555.73	\$242,470.56

LEHIGH VALLEY RAILROAD COMPANY

DESCRIPTION	DATE OF ISSUE	DATE OF MATURITY	IN TREASURY OR PLEDGED	IN HANDS OF PUBLIC	RATE	PAYABLE	INTEREST DURING YEAR
LEHIGH VALLEY RAILROAD COMPANY:							
First Mortgage Bonds.....	May 15, 1868	June 1, 1948	.....	\$5,000,000.00	4%	June and Dec.	\$200,000.00
Consolidated Mortgage Bonds.....	Nov. 13, 1873	{ Perpetual	.....	10,062,000.00	6%	June and Dec.	608,720.00
*General Consolidated Mortgage Bonds.....	Sept. 30, 1903	May 1, 2003	{ \$1,000,000	39,689,000.00	4½%	June and Dec.	1,942,210.00
		Various amounts semi-annually to Feb. 1, 1951	{ 24,400,000	20,697,000.00	4½%	May and Nov.	1,585,560.00
		annually to Aug. 1, 1943	.....	12,000,000.00	5%	May and Nov.	606,000.00
Equipment Trust Certificates, Series V.....	Dec. 14, 1934	bal. Nov. 1, 1943	.....	3,020,000.00	4%	Feb. and Aug.	127,413.34
P.W.A. Equipment Repair Notes.....	Various	bal. Nov. 1, 1943	.....	807,449.53	4%	Feb. and Aug.	34,184.59
Reconstruction Finance Corporation Loan.....	Apr. 30, 1938	Apr. 30, 1941	.....	760,500.00	4%	Apr. and Oct.	30,683.94
Manufacturers Trust Co., N. Y., Loan.....	Nov. 1, 1940	\$25,000 monthly	.....	5,314,100.00	3%	Monthly	164,521.63
Marine Midland Trust Co. of N. Y., Loan.....	Nov. 1, 1940	\$12,500 May 1 & Nov. 1, 1943	.....	390,500.00	3%	Monthly	12,427.86
Marine Trust Co. of Bflo., Loan.....	Nov. 1, 1940	bal. Nov. 1, 1943	.....	390,500.00	3%	Monthly	12,427.90
Philadelphia National Bank. Loan.....	Nov. 1, 1940	bal. Nov. 1, 1943	.....	829,800.00	3%	Monthly	26,203.33
CONSOLIDATED REAL ESTATE COMPANY:							
First Mortgage Bonds.....	Feb. 1, 1906	bal. Nov. 1, 1943	.....	2,600,000	4%	Feb. and Aug.	\$34,442,717.59
* Amount of authorized issue \$150,000,000.			\$28,000,000	\$101,443,849.53			
† Excludes interest on securities pledged. ‡ Includes \$180,759.49 charged to Interest on Unfunded Debt.							
Guaranties and Rentals, December 31, 1940							
FIRST MORTGAGE GUARANTIES	DATE OF ISSUE	DATE OF MATURITY	IN TREASURY OR PLEDGED	IN HANDS OF PUBLIC	RATE	PAYABLE	ACCRUED DURING YEAR
Penna. & N. Y. Canal & R.R. Co., Consol.....	Nov. 13, 1888	Apr. 1, 1949	.....	\$4,000,000.00	5%	Apr. and Oct.	\$200,000.00
Lehigh Valley Terminal Ry. Co.....	Oct. 1, 1891	Oct. 1, 1951	.....	1,500,000.00	4½%	Apr. and Oct.	67,500.00
Greenville & Hudson Ry. Co.....	Apr. 1, 1897	Apr. 1, 1937	\$1,000	3,000,000.00	4%	Apr. and Oct.	120,000.00
Irvington R.R. Co.....	June 1, 1896	Feb. 1, 1956	350,000	9,993,000.00	5%	Apr. and Oct.	500,000.00
The Lehigh Valley Rail Way Co.....	Feb. 23, 1890	July 1, 1950	125,000	.....	5%	Apr. and Oct.	17,500.00
Middlesex Valley Railroad Co.....	Nov. 1, 1816	Nov. 1, 1966	.....	15,000,000.00	4½%	Feb. and Aug.	5,000.00
Rochester Southern R.R. Co.....	Aug. 26, 1892	Nov. 1, 1942	5,000,000	.....	4½%	Jan. and July	675,000.00
Schenectady County Ry.....	Nov. 1, 1895	Nov. 1, 1945	422,000	178,000.00	5%	May and Nov.	225,000.00
The Lehigh & Lake Erie R.R. Co.....	Feb. 1, 1903	Nov. 1, 1943	425,000	.....	5%	May and Nov.	30,000.00
Lehigh Valley Harbor Terminal Ry. Co.....	Mar. 1, 1907	Mar. 1, 1957	500,000	.....	5%	Feb. and Aug.	25,000.00
Lehigh & New York R.R. Co.....	Feb. 1, 1924	Feb. 1, 1954	.....	3,000,000.00	4½%	Mar. and Sept.	135,000.00
Total.....	Aug. 24, 1895	Sept. 1, 1945	\$6,823,000	2,000,000.00	5%	Feb. and Aug.	500,000.00
RENTALS—LINES NOT OWNED:			\$6,823,000	\$4,677,000.00	4%	Mar. and Sept.	80,000.00
Raritan Terminal and Transportation Co.....			.....	.....	.....	.....	\$2,601,250.00
New York Central Railroad Co.....			.....	.....	.....	.....	\$2,000.00
State Line & Sullivan Railroad Co.....			.....	.....	.....	.....	17,201.76
Taxes and misc. charged as Rentals.....			.....	.....	.....	.....	93,333.33
Total Interest and Rentals.....			.....	.....	.....	.....	9,693.03
‡ Includes interest on securities in treasury or pledged.							
Total interest on securities in treasury or pledged.....			.....	.....	.....	.....	\$2,536,811.46

LEHIGH VALLEY RAILROAD COMPANY

Operating Statistics for the Years Ended December 31, 1940 and 1939

	1940	1939	INCREASE OR Decrease	PER CENT.
TRAIN AND LOCOMOTIVE MILEAGE				
Revenue freight train miles—locomotive.....	4,038,915	3,680,826	358,089	9.73
Revenue passenger train miles—locomotive.....	1,483,566	1,482,671	895	.06
Revenue milk and express train miles—locomotive	530,770	597,492	66,722	11.17
Total revenue service train miles—locomotive	6,053,251	5,760,989	292,262	5.07
Revenue freight train miles—motor.....	9,376	9,292	84	.90
Revenue passenger train miles—motor.....	459,271	480,305	21,034	4.38
Total revenue service train miles—motor	468,647	489,597	20,950	4.28
Total revenue service train miles.....	6,521,898	6,250,586	271,312	4.34
Helping and light freight locomotive miles.....	1,070,882	1,024,475	46,407	4.53
Helping and light passenger locomotive miles	204,048	226,331	22,283	9.85
Helping and light passenger motor miles.....	382	382		
Total revenue service locomotive miles, excluding switching and motor.....	7,328,181	7,011,795	316,386	4.51
Switching locomotive miles.....	4,323,606	4,124,568	199,038	4.83
Switching motor miles.....	3,372	4,658	1,286	27.61
Total revenue service locomotive miles, excluding motor	11,651,787	11,136,363	515,424	4.63
Non-revenue service locomotive miles.....	185,484	174,063	11,421	6.56
Non-revenue service motor miles.....	33	1,781	1,748	98.15
Per cent. helping and light of revenue service locomotive miles, excluding switching and motor.....	17.40	17.84	.44	2.47
CAR MILEAGE				
Freight car mileage—loaded.....	156,269,621	150,132,439	6,137,182	4.09
Freight car mileage—empty.....	83,065,876	78,887,985	4,177,891	5.30
Freight car mileage—caboose.....	4,083,217	3,801,179	282,038	7.42
Total freight car miles.....	243,418,714	232,821,603	10,597,111	4.55
Average number of all freight cars per train	60.13	63.09	2.96	4.69
Per cent. loaded of total car miles.....	64.20	64.48	.28	—
Passenger car miles—including Pullman.....	9,162,789	9,871,852	709,063	7.18
Baggage, dining, mail, express and milk car miles	11,089,792	11,306,055	216,263	1.91
Total passenger car miles.....	20,252,581	21,177,907	925,326	4.37
Average number of passenger train cars per passenger train	8.19	8.27	.08	.97
GROSS TON MILES AND TRAIN HOURS				
Gross ton miles excluding locomotives (thousands)	9,875,008	9,364,083	510,925	5.46
Total freight train hours (thousands).....	212,351	198,496	13,855	6.98
Gross tons per train.....	2,479	2,569	90	3.50
Gross ton miles per train hour.....	46,503	47,175	672	1.42

LEHIGH VALLEY RAILROAD COMPANY

Traffic Statistics for the Years Ended December 31, 1940 and 1939

	1940	1939	INCREASE OR Decrease	PER CENT.
Average miles of road operated.....	1,274.88	1,282.69	7.81	.61
FREIGHT TRAFFIC				
Tons of revenue freight carried.....	23,468,153	21,489,749	1,978,404	9.21
Ton miles revenue freight.....	4,128,874,034	3,882,130,595	246,743,439	6.36
Miles per revenue ton.....	175.94	180.65	4.71	2.61
Freight revenue.....	\$42,644,525.57	\$40,428,057.41	\$2,216,468.16	5.48
Revenue per ton.....	\$1.82	\$1.88	\$.06	3.19
Revenue per ton mile—cents.....	1.033	1.041	.008	.77
Tons of rev. freight per revenue freight train.....	1,019.91	1,052.03	\$2.12	3.05
Average number of tons of all freight in each loaded car.....	27.18	26.77	.41	1.53
PASSENGER TRAFFIC				
Revenue passengers carried.....	982,717	960,213	22,504	2.34
Revenue passengers carried one mile.....	112,649,689	111,397,844	1,251,845	1.12
Average distance carried—miles.....	114.63	116.01	1.38	1.19
Revenue from passengers.....	\$2,054,090.19	\$2,216,171.15	\$162,080.96	7.31
Revenue per passenger.....	\$2.09	\$2.31	\$.22	9.52
Revenue per passenger mile—cts.....	1.82	1.99	.17	8.54
Passenger service train revenue.....	\$3,318,504.16	\$3,541,193.10	\$222,688.94	6.29
Average revenue passengers per car.....	12	11	1	9.09
Average revenue passengers per train (including mixed).....	58	57	1	1.75
REVENUES AND EXPENSES				
Operating revenues.....	\$47,479,836.55	\$45,358,986.81	\$2,120,849.74	4.68
Operating expenses.....	\$33,223,585.48	\$32,792,245.89	\$431,339.59	1.32
Net operating revenue.....	\$14,256,251.07	\$12,566,740.92	\$1,689,510.15	13.44
Operating ratio.....	69.97%	72.29%	2.32%	3.21

LEHIGH VALLEY RAILROAD COMPANY

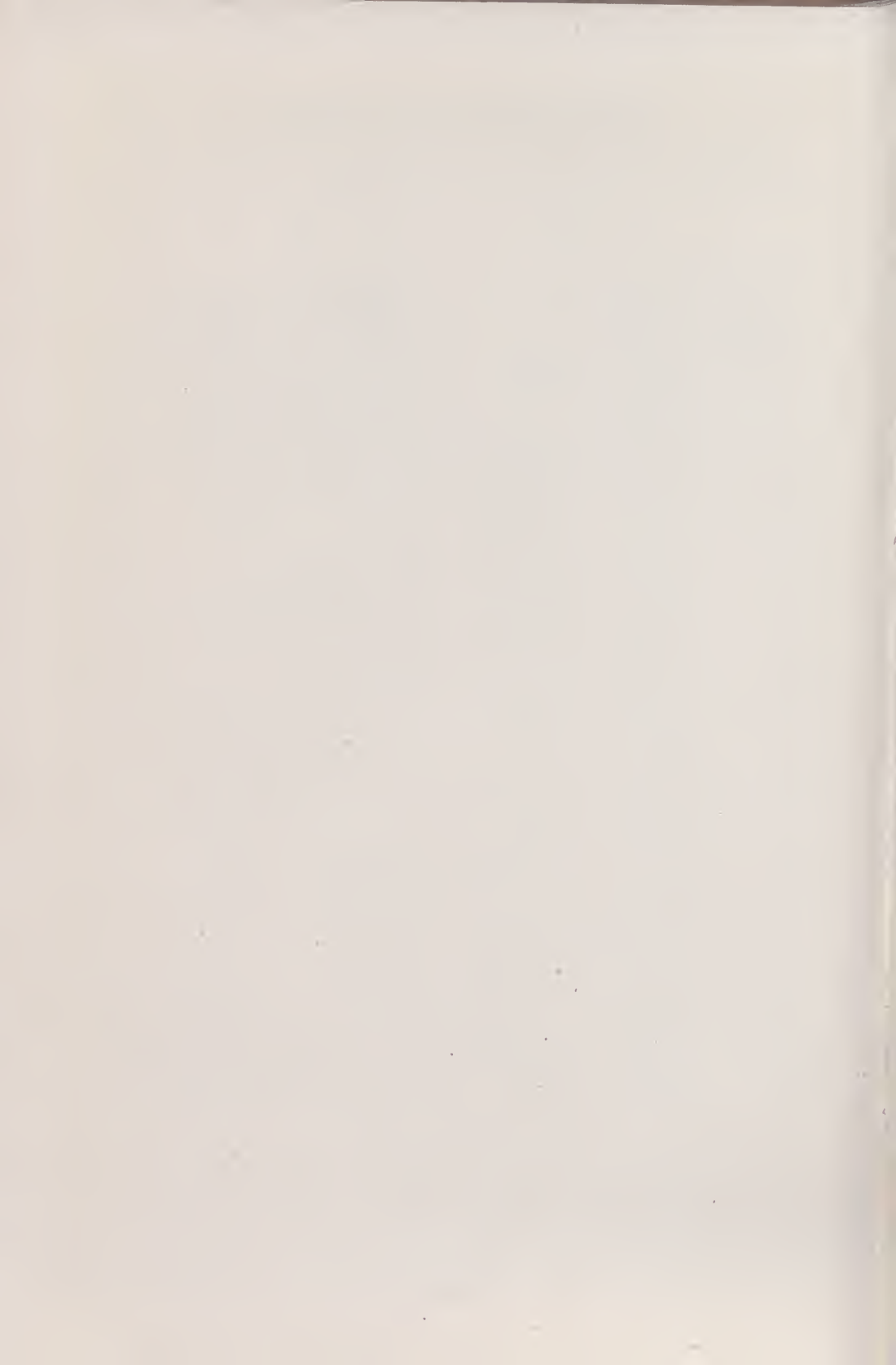
Additions and Betterments, Entire System, Year Ended December 31, 1940

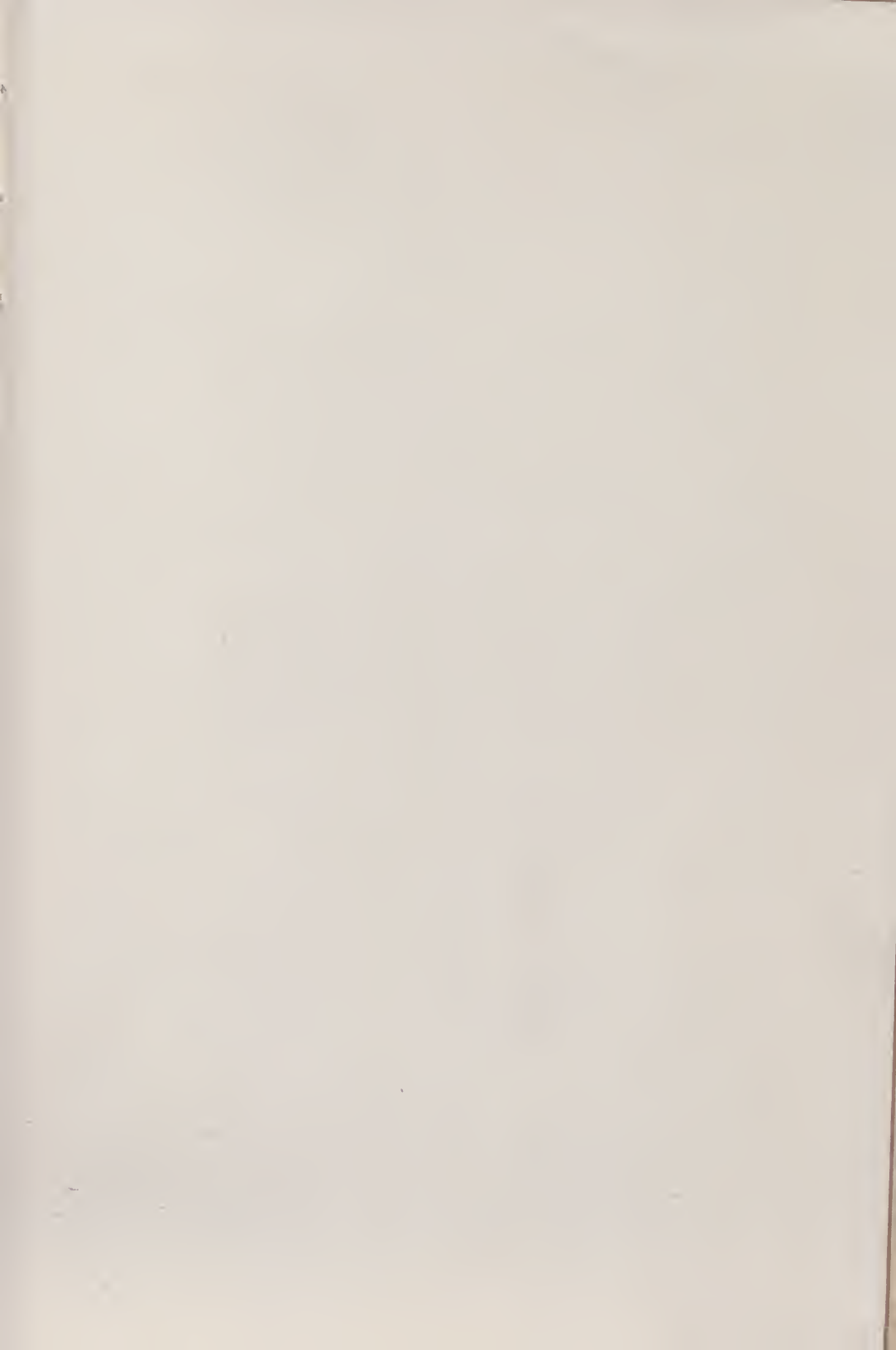
	EXPENDITURES AND CHARGES	RETIREMENTS	NET AMOUNT
Engineering	1,253.83	17,445.29	16,191.46
Land for transportation purposes.....	809.41	1,046,726.44	1,045,917.03
Other Right-of-Way Expenditures.....		113.23	113.23
Grading	204,691.15	141,371.50	63,319.65
Bridges, trestles and culverts.....	77,138.65	27,411.89	49,726.76
Ties	18,726.83	74,203.97	55,477.14
Rails	20,374.18	155,679.53	135,305.35
Other track material.....	137,255.39	76,305.54	60,949.85
Ballast.....	65,409.04	32,874.02	32,535.02
Track laying and surfacing.....	48,575.91	101,035.36	52,459.45
Fences, snowsheds and signs.....	1,252.05	865.51	386.54
Station and office buildings.....	135,661.84	240,616.48	104,954.64
Roadway buildings.....	4,019.99	4,561.05	541.06
Water stations.....	4,840.22	29,554.16	24,713.94
Fuel stations.....	61,198.43	27,015.18	34,183.25
Shops and engine houses.....	203,009.67	422,410.66	219,400.99
Wharves and docks.....	7,321.71	37,403.67	30,081.96
Coal and ore wharves.....		221.92	221.92
Telegraph and telephone lines.....	22,599.48	8,537.40	14,062.08
Signals and interlockers.....	67,987.15	49,345.78	18,641.37
Power plants.....	890.06	124,989.46	124,099.40
Power transmission systems.....	54.91	18,772.32	18,717.41
Roadway machines.....	42,744.81	37,695.44	5,049.37
Public improvements—construction.....	6,343.72	856.03	7,199.75
Shop machinery.....	17,321.15	130,190.37	112,869.22
Power plant machinery.....	32,412.31	89,912.54	122,324.85
Steam locomotives.....	51,277.77	2,008,845.12	1,957,567.35
Other locomotives.....	244,782.10		244,782.10
Freight train cars.....	196,837.93	454,808.23	257,970.30
Passenger train cars.....	110,576.01	503,853.58	393,277.57
Floating equipment.....		201,325.78	201,325.78
Work equipment.....	109,980.43	86,269.83	23,710.60
Miscellaneous equipment.....	15,039.86	6,926.41	8,113.45
General expenditures.....	146.88	2,760.82	2,907.70
Total	1,845,414.49	6,159,192.45	4,313,777.96

LEHIGH VALLEY RAILROAD COMPANY

Classification of Tonnage for the Years Ended December 31, 1940 and 1939

COMMODITIES	1940		1939	
	TONS	PER CENT.	TONS	PER CENT.
Products of Agriculture.....	1,800,565	7.67	1,917,633	8.92
Animals and Products.....	491,057	2.09	481,486	2.24
Products of Mines.....	13,237,054	56.41	12,018,526	55.93
Products of Forests.....	379,908	1.62	317,807	1.48
Manufactures and Miscellaneous.....	7,263,199	30.95	6,458,586	30.05
Grand Total, Carload Traffic.....	23,171,783	98.74	21,194,038	98.62
All L.C.L. Freight.....	296,370	1.26	295,711	1.38
Grand Total Carload and L.C.L. Traffic	23,468,153	100.00	21,489,749	100.00









1940